

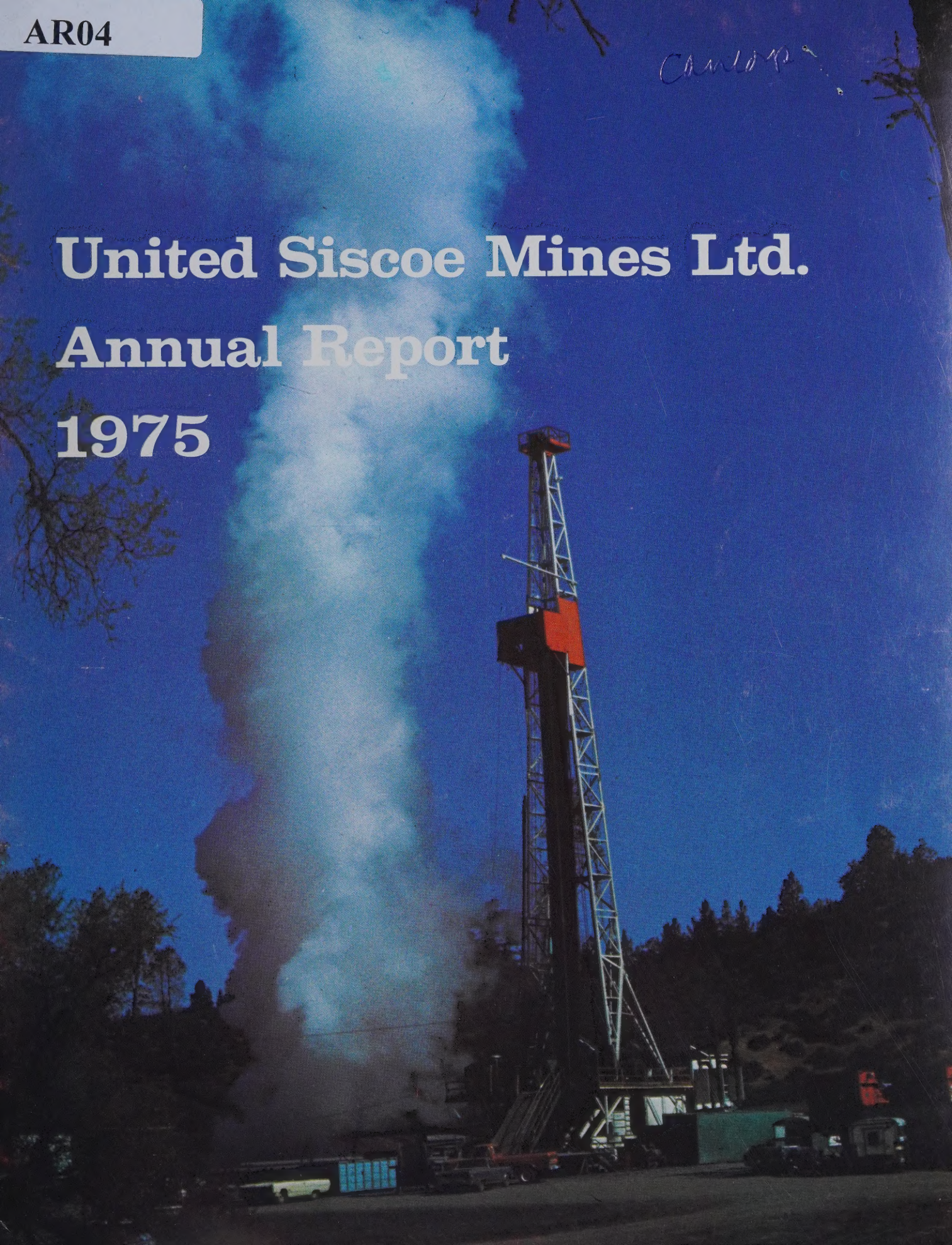
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United Siscoe Mines Ltd.

Annual Report

1975



BOARD OF DIRECTORS

J. G. AHERN, Q.C., Montreal, Quebec
Barrister and Solicitor, Partner of Ahern, De Brabant & Nuss
H. DAHL-JENSEN, Unionville, Ontario
President, Mihorean & Dahl-Jensen, Realtors
R. E. FASKEN, Mississauga, Ontario
Mining Executive, Chairman, United Siscoe Mines Limited
H. S. HERSHORAN, Toronto, Ontario
Chairman, Hillcrest General Leasing Limited
H. REIMER, Oakville, Ontario
Mining Geologist, Director of Loewen, Ondaatje, McCutcheon & Company Ltd.
J. C. SAWHILL, New York, N.Y.
President, New York University
G. T. SMITH, Toronto, Ontario
Barrister and Solicitor, President, Camflo Mines Limited
R. M. SMITH, Oakville, Ontario
Mining Engineer, Vice President, Camflo Mines Limited

OFFICERS

R. E. FASKEN – *Chairman of the Board*
G. T. SMITH – *Vice Chairman of the Board*
R. M. SMITH – *President*
S. HALPERN – *Vice President Corporate Affairs*
B. K. MEIKLE – *Vice President Operations*
M. E. HOLT – *Vice President Exploration*
K. E. ELRICK – *Treasurer*
D. DOIG – *Secretary*

TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY, Montreal and Toronto
BANKERS TRUST COMPANY, New York

AUDITORS

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants, Toronto, Ontario

EXECUTIVE OFFICE

Suite 1806, Commercial Union Tower, P.O. Box 306
Toronto-Dominion Centre,
Toronto, Canada M5K 1K2

HEAD OFFICE

Suite 4111, Stock Exchange Tower,
Place Victoria, Montreal, Canada

GENERAL COUNSEL

J. G. AHERN, Q.C.,
Montreal, Quebec

SHARE LISTINGS

THE TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE

BANKERS

THE CANADIAN IMPERIAL BANK OF COMMERCE,
Toronto, Canada

**ANNUAL AND SPECIAL
GENERAL MEETING
OF SHAREHOLDERS**

June 29, 1976, 11:00 a.m.
The Mount Royal Room, Hotel Bonaventure,
Montreal, Quebec

Front Cover:

*General view of the GKI-McCulloch Francisco No. 1 Well,
recently completed as a commercial producer.*

United Siscoe Mines Ltd., Toronto

Year Dec 31 (247) (643) (0.05) (0.14) 1,058 1,296 •

UNITED SISCOE

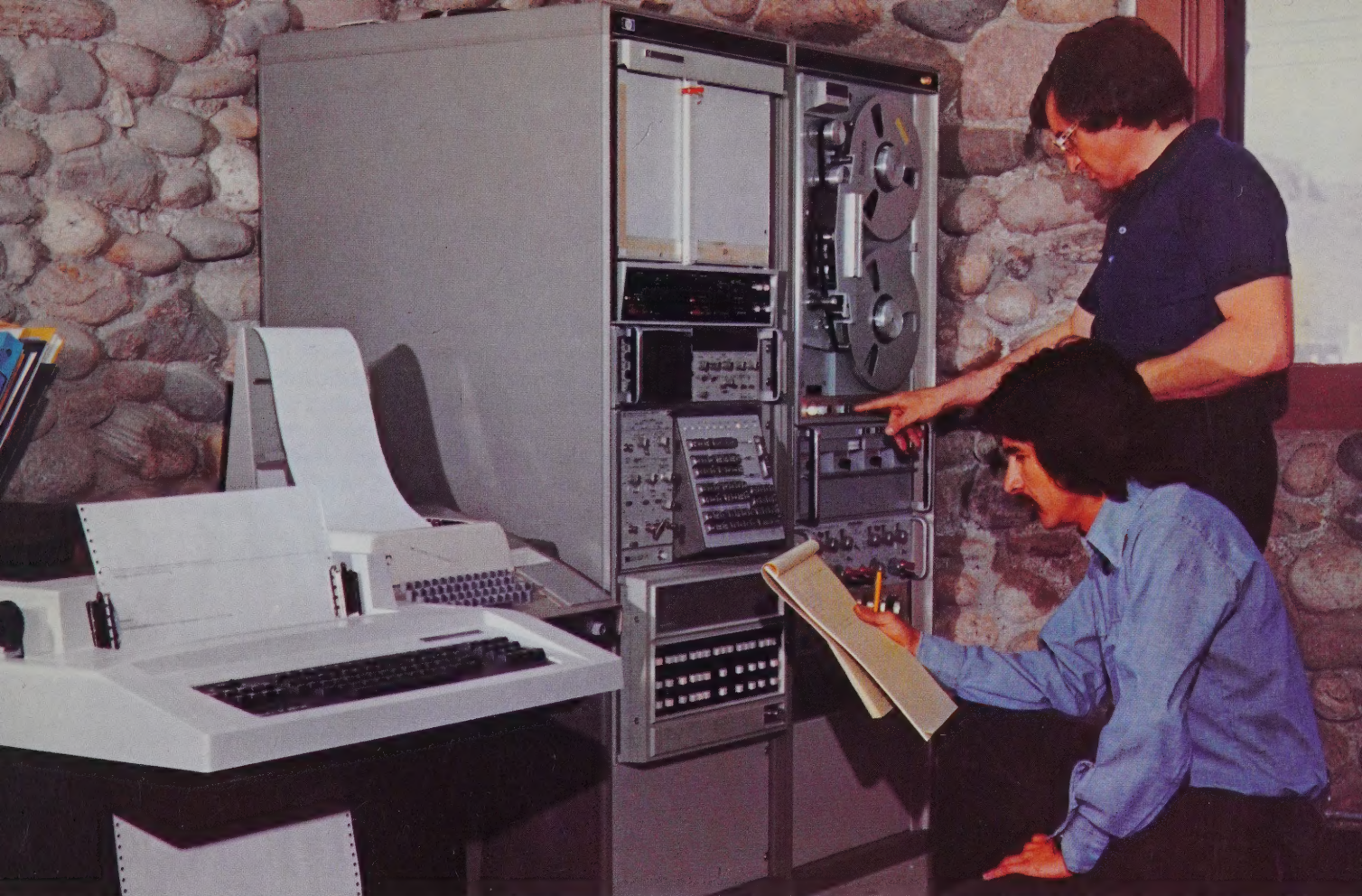
Including a \$1.7-million gain on sale of interest in petro-

leum and natural gas prop-
erties and a \$255,000 tax reduc-
tion, United Siscoe Mines Ltd.
had a 1975 profit of \$1.7-mil-
lion or 36 cents a share, There
were no special items in 1974.

As a result of the sale of its
natural gas interests in the
Bantay area of Alberta, in-
come for oil and gas will be
reduced, but it is expected to
continue at an annual rate of
about \$300,000. Net operating
revenue from oil and gas op-
erations was \$734,855 in 1975.

The company's principal ac-
tivity will be assisting subsid-
iary Geothermal Kinetics Inc.
in furthering its activities in
the discovery and develop-
ment of natural steam as a
source of power, the company
said.

JUN 12 1976



Dr. Norman Harthill, Vice President, Group Seven Inc. (standing), operating the computer display terminal which is used to analyze geophysical data in the old armory building in Golden, Colorado.

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Directors' report to the shareholders

Several of the Company's interests have reached important stages in their continuing programs of expansion in resources industries.

The most significant development involved activities in the Company's geothermal subsidiary, Geothermal Kinetics Inc. A favourable opinion has been rendered by the Superior Court of California, County of Sonoma on the litigation regarding ownership of the geothermal rights on 408-acres on which a successful geothermal well was completed in 1973 in the South Geysers area. Development of this acreage has been in abeyance since that time because of the litigation involving the above-mentioned resource ownership.

This opinion eliminates one of the major obstacles which prevented development of this acreage and the Company is hopeful, subject to certain findings of fact and conclusions of law, that development might now go forward. At this stage it is not known whether the opinion and subsequent judgement will be appealed. It is significant that the Court in its opinion vested full title to the geothermal resources in Geothermal Kinetics Inc. on the basis that geothermal resources are classified as a mineral resource and therefore fall under the mineral estate rather than water which would be subject to certain surface holders' rights.

One of the wells in the North Geysers area of California is the most advanced and is considered by our technical advisors to be capable of commercial production. Initial reports of results are that the proper quality of steam under suitable pressure and geological conditions has been encountered.

The second well, in Utah, is encountering favourable geological conditions and rising temperatures. Drilling in Utah is not as advanced as at North Geysers. A preliminary assessment of commercial potential should be possible shortly.

These two wildcat wells add to the reputation of Geothermal Kinetics as pioneers in developing the knowledge leading to discovery of geothermal sources. Most importantly, they also add to the potential of extensive areas in California and Utah held under lease by Geothermal Kinetics, where previously substantial evidence of the possibility of finding natural steam was lacking.

With interests in more than 150,000 acres of potential geothermal ground in the western United States, Geothermal Kinetics is rapidly becoming a major force in the development of this young energy industry. A review of United Siscoe's association with this U.S. group is included in this annual report.

Geothermal sources of energy are certain to play a growing role in supplying power in the United States. This is recognized by the American government which has been setting aside increasing funds as part of its effort to accelerate research and development. This source of energy is in an early stage of development in that country and legislators have not yet been able to clearly set out all basic principles. Logically, geothermal sources of energy are comparable with oil and gas as sources of energy obtained from within the earth's crust.

Because of energy requirements these problems will be resolved to encourage geothermal projects and your Company will have a major participation in an increasingly important source of energy.

Financial

During 1975 the Company sold its natural gas interests in the Bantry area of Alberta. This sale resulted in a net gain of \$1,931,952 on which no income taxes were payable as the result of application of prior years' losses.

There was a net loss in 1975 of \$246,946 or 5¢ per share before these extraordinary items compared with a net loss of \$643,166 in 1974 or 14¢ per share when there were no extraordinary items.

Net income for 1975 after extraordinary items was \$1,685,006 or 36¢ per share.

Mainly as a result of the sale of the natural gas interest in the Bantry area long term debt was reduced by \$1,792,694 and working capital deficiency was reduced by \$1,457,810.

In 1975, total oil and gas income after depreciation and depletion was \$615,934 compared with \$295,557 in 1974. Dividend income was lower at \$268,578 from \$369,618, largely reflecting reduced payments by Camflo Mines Limited.

Investments

Market value of investments at year end stood at \$7 million, down from \$7.8 million at the end of 1974. For the most part this reflects the reduction in world gold prices which affected the market value of your Company's investment in Camflo Mines Limited.

The Camflo investment provides a valuable financial base and has been a source of excellent income through a period when other resource industries were

in some confusion. Successful development of the Camflo gold mine in the Malartic area has given that company a most efficient and low-cost gold mining operation. Camflo is capitalizing on this to move aggressively into energy-related areas, especially coal mining in New Brunswick and in the United States through its subsidiary La Luz Mines Limited, and the oil and gas industry.

United Siscoe's investment in Merland Explorations Limited is proving most rewarding. Market value of the 400,000 shares held has increased substantially so far in 1976. The outlook for oil and gas producers in Canada, especially the independent companies active in Alberta, has been improving. Prices of oil and gas have been rising as governments recognize the need for better prices to attract the investment necessary to finance exploration and development. Merland is committed to aggressive expansion and the early results of that company's policy already are evident.

United Siscoe also holds as an investment lands for resale. The Company owns 250 acres in the Brampton area of Ontario, a fast growing community west of Toronto. The land is currently subject to the Parkway Belt Planning and Development Act.

The Company has entered into an agreement with Kraft Foods Limited to convey 96 acres of this land to Kraft and will receive in return Kraft's interest in 96 acres in the same area.

The Kraft acreage had industrial zoning and was serviceable as an industrial site. Notice of intention to expropriate the Kraft lands for the Ontario Hydro Transmission Line has been received. The Company will receive the Kraft lands and/or the proceeds of expropriation.

Other Activities

Exploration programs continue in association with other companies in syndicates. The Pinson gold project has been thoroughly examined and evaluated. In view of the decline in the world price of gold in the past year, further efforts and completion of financing and production plans have been deferred for the time being.

Outlook

With the sale of the Bantry natural gas interest, total income from oil and gas will be reduced but is expected to continue at an annual rate of some \$300,000. The possibility that some part of your

Company's real estate holdings could proceed to active development may increase financial resources and assist earnings by the end of 1976.

The Company's principle activity will be in assisting Geothermal Kinetics Inc. in furthering its activities in the discovery and development of natural steam as a source of power. The American government is moving in the direction of encouraging such development and is expected to make available over the next 12 months \$200 million of loan guaranties for research and development. Officers of Geothermal Kinetics have made representations which, if acted upon by the U.S. government, would overcome some present problems in the legal area of defining ownership of geothermal rights and in tax treatment. As a pioneer in geothermal development in the United States, Geothermal Kinetics inevitably is thrust in the midst of these problems.

We are fortunate in this association with Geothermal Kinetics in the excellent calibre of people and the high quality of their expertise. Development of such a new industry is a long-term project. United Siscoe and its associate, Chesbar Resources Inc., have been associated with Geothermal Kinetics since 1972 in financing the use of new technology in discovering geothermal sources of energy.

Your directors consider that it would be in the best interests of your Company to increase its shareholdings in Geothermal Kinetics. Accordingly the directors made an offer on May 17, 1976 to Chesbar Resources to issue 301,208 shares of United Siscoe in exchange for the 451,812 shares of Geothermal Kinetics presently held by Chesbar Resources. Because a number of directors and/or officers of your Company are also directors and/or officers of Chesbar Resources your Company's obligation to complete the share exchange is conditional upon the approval thereof by shareholders of both companies.

We express our thanks and appreciation to all associated with the activities of your Company.

On behalf of the Board of Directors,

"R. E. FASKEN" — Chairman

June 2, 1976

"G. T. SMITH" — Vice Chairman



General view of a typical geothermal well showing a modern geothermal generating plant in background.

GEOTHERMAL KINETICS INC.

United Siscoe together with Chesbar Resources holds a 66% interest in this U.S. company, one of the leaders in the discovery and development of natural steam sources for use in generating electricity. The company is five years old, and during that period has spent in excess of \$5 million on exploration and drilling. Some of its operations have been on a joint venture basis with other companies.

Geothermal Kinetics has the in-house capability to develop a project from the initial geological studies, geophysical field work, leasing and to the final drilling of the prospect. Geothermal Kinetics and affiliated companies utilize as many as 100 people. The strength of its technical team is indicated by the fact that 4 of the employees have Ph.D. degrees, 4 have M.Sc. degrees and 6 have B.Sc. degrees. The company is a leader in developing electrical geophysical methods for outlining potential geothermal resources.

Geothermal Kinetics has progressed steadily through the past three years. A new commercial well has recently been completed in California and a well is now being drilled in Utah.

Utilities interested in geothermal energy are looking to

plants with a capacity of 110,000 kilowatts. Such a plant requires 2 million pounds of useable steam per hour and development wells to supply this will be drilled within one-half to one mile around the original discovery well. The generating plant to convert this steam to electricity must be located close to the site of the wells and electricity will then be transmitted in the normal way to users.

Developers of the natural steam source sell steam to the power utility which erects and operates the generating plant. The selling price of geothermal steam has quadrupled in recent years.

A typical producing well rated at 150,000 pounds per hour of useable steam is capable of producing 7,500 kilowatts per hour of electricity and at current prices of 11.3 mills per kilowatt would generate a revenue of \$675,000 per annum at a 90% plant efficiency level.

The capital cost of a geothermal generating plant is considered to be less than half the cost of a coal or oil generating plant and about one-third the cost of a nuclear plant. These calculations are on the basis of cost per kilowatt generated. Operating cost per kilowatt hour is about half the cost encountered in a coal or nuclear plant and a third the cost in an oil-

fueled plant. Only about three years of planning and construction are necessary for geothermal plants, compared with five to ten years for coal and nuclear plants.

Natural steam development is relatively clean environmentally.

The South Geysers area within only a few miles of the North Geysers discovery is the best illustration of how geothermal energy can be developed successfully. The first power was generated in this northern California area in 1960 when Pacific Gas and Electric started up an experimental plant. Today, this California utility is generating sufficient energy from South Geysers' geothermal wells to supply the normal needs of the city of San Francisco.

This South Geysers productive area is the world's largest power development using natural steam. Geothermal Kinetics initial drilling success, supporting the exploration techniques developed by its technical experts, was in the South Geysers area. Had the legal dispute not arisen, undoubtedly full-scale development of a generating plant would now be underway at United Siscoe — G.K.I. Rorabaugh No. 1.

The North Geysers well (Geothermal Kinetics Inc. — McCulloch Francisco No. 1) was recently completed at a depth of 8970'. Preliminary production testing has indicated a commercial productive capability of 108,000 lbs/hr of steam. During drilling of this well, after the 9% production casing had been set, difficult ground conditions were encountered prior to the steam bearing formation which necessitated the hanging of a 7" liner through this section. This restricted the productive capability of the well which, had the liner not been necessary to instal would have resulted in a significantly larger production rating.

The well was a major step out from known productive areas and indicates this particular acreage to hold significant economic potential. Preliminary discussions have already commenced with Pacific Gas & Electric Company covering the subsequent utilization of this steam for a generating unit.

Francisco No. 1 has other important implications for Geothermal Kinetics beyond its potential as a commercial producer. The well is located one mile northeast of a successful well drilled by others. On the basis of geophysical studies, it now appears that the intervening area presents attractive potential for drilling. Leases held by Geothermal Kinetics cover about 85% of that area. In addition, ground to the north and east, including the Boggs Mountain area which is totally controlled by Geothermal Kinetics, now has a more assured potential.

In total, Geothermal Kinetics has obtained leases on 5,348 acres in the North Geysers area. A total of 1,848 acres come within the joint venture agreement with McCulloch Oil Corporation whereby McCulloch provides financing for the initial wells and Geothermal Kinetics has the option to maintain a 50% interest by

providing its share of the cost, or maintain a 30% carried interest at no cost.

Drilling activity in the North Geysers is expected to accelerate. Already, permits have been obtained to drill at two other sites.

De Arman No. 1 in Utah is the second well of current interest. This is a joint venture with Utah Power and Light and McCulloch. Geothermal Kinetics currently has a 37½% interest in an area capable of producing sufficient steam to supply a 55,000 kilowatt plant. In the remaining acreage within this area, a 25% interest is held. Geophysical surveys have outlined three anomalous areas which are believed to represent geothermal reserves. The initial well in the first anomaly chosen for investigation encountered high temperature but unfavorable geological conditions. The recent well in the same anomaly has reached a depth of 7,500 feet and fracture conditions and temperature and pressure suggest that this well might have commercial development possibilities.

The geothermal industry is at a stage where the oil and gas industry was thirty to forty years ago. Under an aggressive exploration and drilling program the geothermal industry could replace one million barrels of daily oil imports by 1985 and geothermal resources will become a significant part of the solution to the energy crisis.

Recent estimates by one of the largest resource companies in the U.S. are that by 1990 more than 5% of the electricity generated in the United States will be from geothermal sources. Geothermal Kinetics, as one of the pioneers in this modern development of a natural phenomenon, is expected to play an important part in this growth.

MINING EXPLORATION

Several mineral exploration projects of interest are underway. Most recently, a copper prospect of considerable merit has attracted the interest of a major company and an option/joint venture agreement is being put into effect. With final signing of the agreement, United Siscoe's partner will pay the cost of the initial exploration program, including diamond drilling, on this Maritimes property.

The participation in the Harman Syndicate has reached the stage of possible significant acceleration in activity. United Siscoe has had an 18% participation through the two years of exploration in the Selwyn and Mackenzie mountain ranges of the Northwest Territories and the Yukon Territory. Results so far include discovery of extensive occurrences of zinc in the nine claim blocks staked and a 32-claim group in the Redstone area where drilling by others last year discovered copper and led to intense interest in the area by the mining industry. The Harman Syndicate is exploring methods of financing the next stage of accelerated detailed development on ground already held.

The Copper Belt Syndicate is reviewing projects in British Columbia with a view to possibly renewing



Aerial view of the Camflo Mines surface plant after completion of the mill expansion program.

exploration activity. The recent change in government is indicating an improved climate for mining in that province. One porphyry copper-molybdenum project is underway. The Syndicate is no longer active in the State of Washington. United Siscoe has a 20% interest in the Copper Belt Group.

The joint venture has been terminated on the Woodstock copper prospect in New Brunswick.

CAMFLO MINES LIMITED

United Siscoe has been closely associated with the successful development of Camflo Mines as a producing gold mine and the current broadening of its activities into energy-related industries. The interest held in Camflo is 16%, or 552,000 shares.

Camflo paid dividends totalling 50 cents a share in 1975. This is the same level as in 1973, although 20 cents less than in 1974 which was a record year as the price of gold soared in world markets. Average price received for bullion in 1975 was \$155 per ounce, compared with \$162 per ounce in 1974. Gross value of bullion produced increased to \$13.7 million from \$13.2 million with 88,568 ounces produced, compared with 81,589 ounces. The increased production is the result of completion in March of a 25% increase in milling plant capacity to 1,250 tons daily.

Camflo's 1975 net income was \$3,759,899, equal to \$1.10 a share. This compares with \$4,903,009 or \$1.43 a share in 1974.

The Camflo gold mine is in excellent condition to continue profitable operations despite the decline in the gold price. The 1975 average operating cost of producing one ounce of gold was \$55. The shaft has been deepened to permit establishment of four new levels, and acceleration of underground exploration is planned for later this year.

With a 10-year record of gold production, the Camflo management has been building interests in oil and gas and coal. The natural gas interests in east central Alberta are becoming an increasingly important source of income. Production is increasing and a large and growing reserve base is being established under the farmout agreements with Voyager Petroleum Limited.

Camflo holds 774,000 shares of La Luz Mines Limited with an option to acquire a further 105,710 shares in 1980. La Luz through its subsidiary is a joint venturer in the Crown City Mine, a surface coal operation in Ohio, and is negotiating to acquire Gilbert Fuel Company, the other joint venturer.

If the acquisition is completed La Luz will either own or lease 3 surface coal mines in Ohio.

Based on current shipments and anticipated sales agreements, in 1977 La Luz would be producing coal at a rate of 1,680,000 tons annually, a very substantial operation.

Camflo is examining the possibility of coal development in New Brunswick and is drilling an asbestos prospect in Quebec's Eastern Townships asbestos-producing area.

The policy of Camflo Mines is to build resource assets from its producing gold mine base.

CHESBAR RESOURCES INC.

United Siscoe holds 1,438,692 Chesbar shares, a 56% interest, and \$1.2 million of debentures. Chesbar holds 451,812 shares of Geothermal Kinetics Inc., an 11.7% interest. Reference is made to page 5 for particulars of an exchange offer by your Company with respect to these shares.

As was reported to the shareholders earlier Chesbar has leased its Niagara Falls, Ontario plant to Allis-Chalmers Canada Limited which has an option to purchase this plant extending to September 30, 1976 for a net price of about \$1.2 million. The company is also attempting to dispose of its iron mine in Quebec.

MERLAND EXPLORATIONS LIMITED

United Siscoe holds 400,000 shares of Merland Explorations an 8.6% interest. The two companies were associated in the Bantry area natural gas operation. Merland sold part of its interest in this field and Siscoe sold its total participation in 1975.

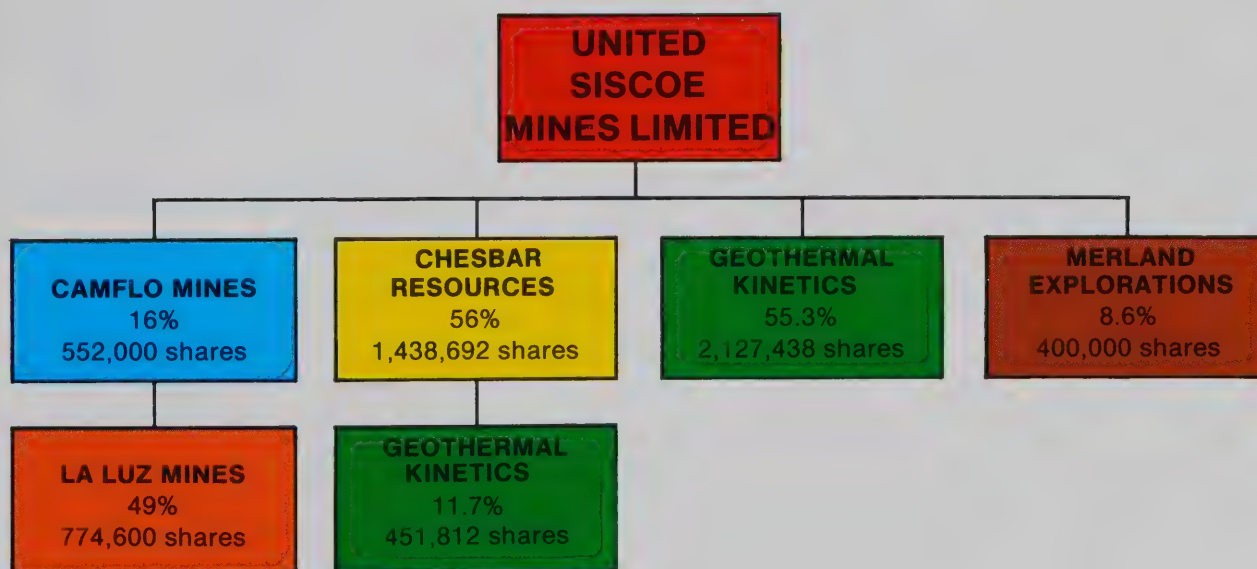
Merland has become increasingly active, with successful results showing up dramatically in 1975. Net earnings were at a record \$587,194, equal to 13 cents a share, compared with \$40,886 or .9 cents a share in 1974 before an extraordinary item of \$68,034 or 1.4 cents per share. Gross sales were up by more than 180%, reflecting both increased production and higher gas prices as of November. Cash flow from operations, a vital consideration in financing exploration and development, more than tripled. To illustrate the extent of growth in Merland's affairs, cash flow in 1975 of \$1,850,000 compares with only \$185,000 two years earlier.

At year end, Merland had interests in 536 wells. The company's plans are to accelerate its activities with a capital expenditure budget of \$6 million for 1976. In Canada, plans are to drill for the deeper, more prolific pools to an increasing extent. In 1975, approximately half of Merland's activity was in the shallow gas areas of Alberta.

A U.S. subsidiary, Merland Resources Inc., has been formed as part of a plan to broaden activities in the U.S. In 1975, Merland participated to the extent of 10% in a major success in East Texas, a three-zone discovery.

Merland is another instance where United Siscoe has become associated with skilled management in a specialized sector of the resources industries. The outlook for the oil and gas industry is excellent with prices likely to rise further and governments expected to recognize that this industry must be able to obtain the financial resources if national energy needs are to be met in the future.

UNITED SISCOE Natural resource interests



Consolidated Balance Sheet

December 31, 1975

with comparative figures for 1974

Assets	1975	1974
Current Assets:		
Cash	\$ 283,613	\$ 133,910
Accounts receivable, including current portion of amounts due from sales of land	936,003	548,799
Note receivable, interest bearing	600,000	—
Prepaid expenses	26,834	37,077
Total current assets	1,846,450	719,786
Amounts due from sales of land	—	173,062
Notes receivable from officers of a subsidiary company, including accrued interest	167,388	158,743
Investments, at lower of cost and market (quoted market 1975 — \$7,033,000; 1974 — \$7,875,000) (note 2)	3,451,078	3,282,108
Land held for resale (note 3)	6,149,192	5,885,679
Fixed assets (note 4)	500,134	604,196
Properties held for sale (note 5)	2,259,751	2,323,000
Interest in petroleum and natural gas properties (note 6)	91,096	2,039,490
Deferred geothermal exploration and development costs (note 7)	5,603,533	5,404,482
Deferred mineral exploration and development costs	414,094	348,082
Unamortized debenture issue expenses	104,780	137,869
	<u>\$20,587,496</u>	<u>\$21,076,497</u>

See accompanying notes to consolidated financial statements.

UNITED SISCOE MINES LIMITED

and subsidiary companies

Liabilities and Shareholders' Equity	1975	1974
Current Liabilities:		
Bank advances, secured (note 8)	\$ 2,100,000	\$ 1,640,000
Due to brokers	—	84,298
Accounts payable and accrued expenses	748,486	972,820
Income and other taxes payable (note 9)	22,696	10,095
Long-term debt due within one year (note 10)	353,790	848,905
Total current liabilities	3,224,972	3,556,118
Long-term debt (note 10)	3,957,754	5,750,448
Deferred income (note 11)	200,000	200,000
Minority interest in subsidiary companies	2,053,464	2,103,631
Shareholders' equity:		
Capital Stock (note 12):		
Authorized — 6,000,000 shares without par value. Issued and fully paid —		
4,648,750 shares	10,061,777	10,061,777
Retained earnings (deficit)	1,089,529	(595,477)
Shareholders' equity	11,151,306	9,466,300
Commitment and contingent liabilities (notes 13 and 14)		
	<u>\$20,587,496</u>	<u>\$21,076,497</u>

On behalf of the Board:

"R. E. FASKEN", Director

"R. M. SMITH", Director

Consolidated Statement of Income and Loss

Year ended December 31, 1975 with comparative figures for 1974

	1975	1974
Oil and gas income:		
Share of net operating income	\$ 734,855	\$ 358,903
Depreciation and depletion	118,921	63,346
	<u>615,934</u>	<u>295,557</u>
Dividend income	268,578	369,618
	<u>884,512</u>	<u>665,175</u>
Loss (gain) on investments, net (after making provision for valuation of investments held)	(223,374)	139,321
Loss on commodity futures dealings	—	42,749
Interest on long-term debt and amortization of debenture issue expenses — net of amounts capitalized	220,999	240,881
Other interest, net	355,562	234,501
Administrative and general expenses	663,976	654,370
Mineral exploration expenses	115,660	74,685
Other income, net	(75,290)	(90,397)
	<u>1,057,533</u>	<u>1,296,110</u>
Net loss before income taxes payable, minority interest and extraordinary items	(173,021)	(630,935)
Income taxes payable (note 9)	103,000	57,000
Net loss before minority interest and extraordinary items	(276,021)	(687,935)
Minority interest in loss of subsidiary company	29,075	44,769
Net loss before extraordinary items	(246,946)	(643,166)
Extraordinary items:		
Gain on sale of interest in petroleum and natural gas properties, net of income taxes of \$255,000 (note 6)	1,676,952	—
Reduction of income taxes applicable to extraordinary items by the application of prior years' losses (note 9)	255,000	—
	<u>1,931,952</u>	<u>—</u>
Net income (loss) for the year	<u>\$ 1,685,006</u>	<u>\$ (643,166)</u>
NET INCOME (LOSS) PER SHARE:		
Net income (loss) before extraordinary items	\$(.05)	\$(.14)
Net income (loss) for the year36	(.14)

Consolidated Statement of Retained Earnings

Year ended December 31, 1975 with comparative figures for 1974

	1975	1974
Retained earnings (deficit) at beginning of year:		
As previously reported	\$ (675,477)	\$ (32,311)
Prior period adjustment — provision for income tax reassessments no longer required (note 15)	80,000	80,000
As restated	<u>(595,477)</u>	<u>47,689</u>
Net income (loss) for the year	1,685,006	(643,166)
Retained earnings (deficit) at end of year	<u>\$ 1,089,529</u>	<u>\$ (595,477)</u>

See accompanying notes to consolidated financial statements

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1975 with comparative figures for 1974

	1975	1974
FUNDS PROVIDED:		
Sale of interest in petroleum and natural gas properties, net proceeds ...	\$ 4,063,116	\$ —
Geothermal exploration and development costs, in excess of costs deferred	34,404	—
Amounts due from sales of land, net	173,062	755,494
Disposals of properties held for sale	63,250	—
Sales of investments in non-controlled companies, net of investments made	50,795	63,751
Disposals of fixed assets	12,675	48,399
Issue of debentures, net proceeds	—	2,331,181
Long-term bank loan received	—	1,500,000
Issue of capital stock, net proceeds	—	40,625
Total funds provided	<u>4,397,302</u>	<u>4,739,450</u>
FUNDS USED:		
Funds used in operations	234,225	446,914
Investment in subsidiary companies	120,000	233,023
Carrying and development costs on land held for resale	263,513	249,636
Development of petroleum and natural gas properties	301,454	818,965
Geothermal exploration and development deferred, net of amounts recovered	—	718,163
Mineral exploration and development deferred	164,319	147,278
Purchase of fixed assets	54,643	182,598
Reduction of long-term debt	1,792,694	1,052,891
Advances to officers of a subsidiary company	8,644	16,055
Total funds used	<u>2,939,492</u>	<u>3,865,523</u>
Decrease in working capital deficiency	(1,457,810)	(873,927)
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	<u>2,836,332</u>	<u>3,710,259</u>
WORKING CAPITAL DEFICIENCY AT END OF YEAR	<u>\$ 1,378,522</u>	<u>\$ 2,836,332</u>

See accompanying notes to consolidated financial statements

Auditors' Report To the Shareholders

We have examined the consolidated balance sheet of United Siscoe Mines Limited and subsidiary companies as of December 31, 1975 and the consolidated statements of income and loss, retained earnings (deficit) and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination of the financial statements of United Siscoe Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

The company has a significant investment in geothermal resource exploration and development costs (note 7). The geothermal project is in the development stage and the costs are being deferred until it can be determined if commercial production from the various properties is economically justifiable.

In our opinion, subject to the determination that commercial production of the geothermal project will be justified and the ultimate realization of the investments in the Quebec iron mine and Niagara Falls iron pellet reduction plant (note 5) and the outcome of the legal actions (note 13), and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the consolidated affairs of the company and its subsidiary companies as of December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
April 26, 1976

Peat, Marwick, Mitchell & Co.
Chartered Accountants

(except for note 13(b) which is as of June 2, 1976)

Notes to Consolidated Financial Statements

December 31, 1975

1. Summary of significant accounting policies:

Principles of consolidation:

The consolidated financial statements include the accounts of the company and its subsidiary companies:

Wholly-owned subsidiaries:

Siscoe Metals of Ontario Limited
Siscalta Oils Limited

Partly-owned subsidiaries:

Geothermal Kinetics Inc. (63% interest)
Chesbar Resources, Inc. (56% interest)

The consolidated financial statements include the results of the subsidiary companies from the dates of acquisition. All material inter-company transactions have been eliminated. The accounts of Geothermal Kinetics Inc. are maintained in United States dollars and have been converted to Canadian dollars and included in these financial statements on the following basis — current assets and current liabilities at year end rates and other assets at historical rates.

Land held for resale:

Carrying and development costs, which include real estate taxes and interest on debt relating to the land, are capitalized.

Fixed assets:

Depreciation of the fixed assets which are carried at cost is provided over the estimated useful lives (generally 3 to 10 years) of the respective equipment.

Interest in petroleum and natural gas properties:

The cost of acquiring interests in proven and unproven petroleum and natural gas properties and the costs of wells developed have been capitalized as incurred. Depreciation and depletion of oil and gas property costs has been calculated on the basis of total production during the year as a percentage of total estimated production reserves.

Deferred geothermal exploration and development costs:

A subsidiary company, Geothermal Kinetics Inc., is in the development stage. Its primary activity is geothermal resource exploration and development, particularly with respect to geothermal steam for sale to electric utility companies for the generation of electricity. All costs, whether related to productive or non-productive prospects have been deferred. Such costs will be amortized against future revenue obtained from the total exploratory, drilling and development effort.

Deferred mineral exploration and development costs:

Expenditures on mineral exploration programmes are deferred on a specific project basis until it can be determined if commercial production from the project is economically justifiable. When a project is discontinued, the accumulated project costs are charged to income. At the time a project is developed

the accumulated costs will be amortized against future income from that project.

Unamortized debenture issue expenses:

These expenses, related to the issuance of the 8% secured convertible debentures, are being amortized over the term of the debentures. In the event that debentures are converted into common shares of the company under the terms of the trust indenture, the applicable portion of the unamortized debenture issue expense is written off in the year of conversion.

2. Investments:

	1975	1974
Camflo Mines Limited, at cost (quoted market 1975 — \$5,451,000; 1974 — \$6,520,000)	\$2,223,946	\$2,025,257
Other listed securities, at lower of cost and market (quoted market 1975 — \$1,582,000; 1974 — \$1,355,000)	1,227,132	1,256,851
	<u>\$3,451,078</u>	<u>\$3,282,108</u>

The investment in shares of Camflo Mines Limited represents a holding of approximately 16% of the issued shares of that company.

The investments have been pledged as collateral as follows:

Investments with a quoted market value at December 31, 1975 of approximately \$6,837,000 have been pledged as collateral for bank advances up to a maximum of \$2,500,000.

Subject to the prior charge related to the bank indebtedness referred to above, 500,000 shares of Camflo Mines Limited with a quoted market value of \$4,938,000 have been pledged as collateral to secure the 8% secured convertible debentures.

3. Land held for resale:

The investment in land held for resale is comprised of:

Land at cost	\$3,955,298
Carrying and development costs:	
Balance at December 31, 1974	\$1,930,381
Costs capitalized in year:	
Interest	214,466
Other	<u>49,047</u>
Balance at December 31, 1975	2,193,894
Total carrying value	<u>\$6,149,192</u>

The land held for re-sale comprising approximately 250 acres is currently in the complimentary use area of the lands designated pursuant to the Parkway Belt Planning and Development Act and management is unable at present to determine the ultimate use of the land. Management plans to continue its efforts to obtain approval for suitable development of the land but if it is unsuccessful in these efforts it believes it will not incur a loss on disposition of the property.

In February, 1976, the company entered into an agreement with Kraft Foods Limited whereby subject to certain conditions, the company will exchange approximately 96 acres of the land for an equal amount of land owned by Kraft, which land was zoned "industrial" and was fully serviced for industrial development and which is included in the Parkway Belt area and is in the route of the proposed Ontario Hydro 500 K.V. transmission line. Kraft has received notice of intention to expropriate an easement for the 500 K.V. line. The company will receive the land owned by Kraft and/or the compensation from the expropriation for the 500 K.V. line and the company has a right to participate in the negotiations as to compensation.

4. Fixed assets:

At cost, less accumulated depreciation:

	1975	1974
Leasehold improvements and equipment	\$ 70,357	\$ 68,864
Aircraft — one half interest	82,013	82,013
Drilling tools and equipment	677,857	648,052
Special research equipment	147,277	138,438
Automotive	28,144	26,312
	<u>1,005,648</u>	<u>963,679</u>
Less accumulated depreciation	<u>(505,514)</u>	<u>(359,483)</u>
	<u>\$ 500,134</u>	<u>\$ 604,196</u>

5. Properties held for sale:

At values established by management in 1973:

	1975	1974
Quebec iron mine — land, buildings and equipment	\$1,000,000	\$1,000,000
Niagara Falls iron pellet reduction plant — land, buildings and equipment	<u>1,259,751</u>	<u>1,323,000</u>
	<u>\$2,259,751</u>	<u>\$2,323,000</u>

Management has decided not to resume operations at the iron mine in Quebec and plans to dispose of this property.

An option to purchase the Niagara Falls iron pellet reduction plant for a net consideration of approximately \$1,210,000 has been granted. The option may be exercised up to September 30, 1976.

6. Interest in petroleum and natural gas properties:

As of December 1, 1975 the interest in the Bantry petroleum and natural gas properties was sold. During the eleven months to November 30, 1975 the company's share of the

net operating income from these properties amounted to approximately \$392,000.

7. Deferred geothermal exploration and development costs:

Deferred costs relative to the geothermal project are:

	1975	1974
Direct costs:		
Development of wells	\$1,949,996	\$1,808,832
Undeveloped geothermal leaseholds	1,455,935	910,768
Promotional and exploration expenses	<u>2,894,921</u>	<u>1,678,296</u>
	<u>6,300,852</u>	<u>4,397,896</u>
Less receipts, principally from participants in certain prospects applied as reduction of costs	<u>2,292,170</u>	<u>489,357</u>
	<u>4,008,682</u>	<u>3,908,539</u>
Excess of cost of acquiring the subsidiary company over book value at dates of acquisition, allocated to the geothermal project ...	<u>1,594,851</u>	<u>1,495,943</u>
	<u>\$5,603,533</u>	<u>\$5,404,482</u>

Certain geothermal prospects are subject to joint venture agreements or other agreements where the ownership interest of the subsidiary is less than 100%.

The recovery of deferred costs will depend on the ability to attain profitable operations and obtain additional financing to pay liabilities as they become due. Management, at this time, cannot estimate at what date operating revenue may be realized.

The allocated excess cost of acquiring control of the subsidiary will be amortized over future anticipated revenues from the geothermal project.

8. Bank advances:

Bank advances are secured by the deposit with the banks of certain of the investments as described in note 2, and the shares and a debenture of the subsidiary company, Chesbar Resources, Inc.

9. Income taxes:

Income taxes payable relate to the operations of a subsidiary company.

Cumulative losses of the company and certain of its subsidiaries available for carry forward to reduce income for tax purposes in future years amount to and are restricted to fiscal years not later than:

1976	\$ 371,000
1977	1,167,000
1978	712,000
1979	1,219,000
1980	<u>1,181,000</u>
	<u>\$4,650,000</u>

10. Long-term debt:

Long-term debt consists of:

	1975	1974
8% promissory note, repayable 1976 - 1981, secured by a first mortgage	\$1,471,523	\$1,751,812
8% second mortgage, repayable 1976 - 1981 ..	390,021	463,521
7% first mortgage, repayable 1979	—	299,320
8% secured convertible debentures, maturing February 22, 1979	2,450,000	2,450,000
Bank loan	—	1,500,000
9% promissory note due to Hydro Quebec, due 1975	—	134,700
	<u>4,311,544</u>	<u>6,599,353</u>
Less amounts due within one year	<u>353,790</u>	<u>848,905</u>
	<u>\$3,957,754</u>	<u>\$5,750,448</u>

The mortgages are secured by charges against the land held for resale.

The 8% secured convertible debentures are secured by a pledge of shares of Camflo Mines Limited (subject to a prior charge related to bank indebtedness not to exceed \$2,500,000), by a pledge of shares of a subsidiary company, Geothermal Kinetics Inc., and by a first floating charge on the remainder of the company's property, assets and undertakings. The debentures are redeemable at the option of the company, under certain conditions, at 106% plus accrued and unpaid interest to February 22, 1976 and reducing in progressive steps to 100% on maturity.

The debentures are convertible at the holders' option into fully paid common shares up to February 22, 1979 at a rate of \$8 per share. The conversion rate is subject to adjustment if the company should issue shares (other than those issued under the terms of the company's incentive stock option plan) prior to that date, at a lesser consideration. Under the terms of the trust indenture, the payment of dividends is prohibited.

The approximate amount of principal repayments in respect of the above obligations in each of the years 1977 and 1975 is \$354,000, in 1979 \$2,804,000 and in 1980 \$354,000.

11. Deferred income:

Deferred income represents the discount on a debenture of a subsidiary company which was acquired by the company in 1971, prior to the acquisition of control. This deferred income will be recorded as income if and when this debenture is repaid.

12. Capital stock:

At December 31, 1975 193,500 common shares were reserved for issuance upon the exercise of options granted or which may be granted under the terms and conditions of the company's incentive stock option plan. Options, expiring in 1976 and 1977, were outstanding at December 31, 1975 on 137,000 shares under this plan at a price of \$6.25.

In accordance with the terms of the trust indenture related to the 8% secured convertible debentures an additional 306,250 common shares have been reserved for potential future conversions of the debentures.

13. Contingent liabilities:

- a) The company was unsuccessful in its defence of an action instituted in the Supreme Court of Ontario by a consulting geologist who was formerly associated with the company. This action claimed damages pursuant to an alleged option to purchase shares of the company. A judgment was granted against the company and in favour of the consulting geologist on December 19, 1975 in the amount of \$160,500 and court costs which are estimated to be \$10,000. The judgment is under appeal by the company to the Court of Appeal for Ontario. No amount has been provided for in these financial statements for the liability under this judgment including court costs, as management anticipates that, upon appeal, the judgment will be overturned and the company's position sustained. In the opinion of the company's legal counsel, the outcome of the company's appeal is uncertain.
- b) A subsidiary company, Geothermal Kinetics Inc., holds possession and control of all geothermal steam power and geothermal resources in and under a 408 acre parcel of land in Sonoma County, California as sublessee from the owner of the mineral estate. Union Oil Company, as sublessee from the surface owners of the property, claimed a similar interest in the same resources. On June 1, 1976, the Superior Court of California, County of Sonoma, rendered an opinion which vested full title to these geothermal resources in Geothermal Kinetics Inc., and dismissed the claim of Union Oil Company as to any right of ownership to these resources. The court has directed a judgment to be entered in accordance with this opinion. Union Oil Company has 60 days from the date this judgment is entered on the docket in which to appeal this decision.

14. Commitment:

At December 31, 1975 the unfunded actuarial present value of past service benefits in respect of the company's pension plan for its employees amounted to approximately \$120,000 based on actuarial assumptions adopted by the company. It is anticipated that the unfunded amount will be liquidated and charged to income in 13 equal annual instalments of \$12,000.

15. Prior period adjustment:

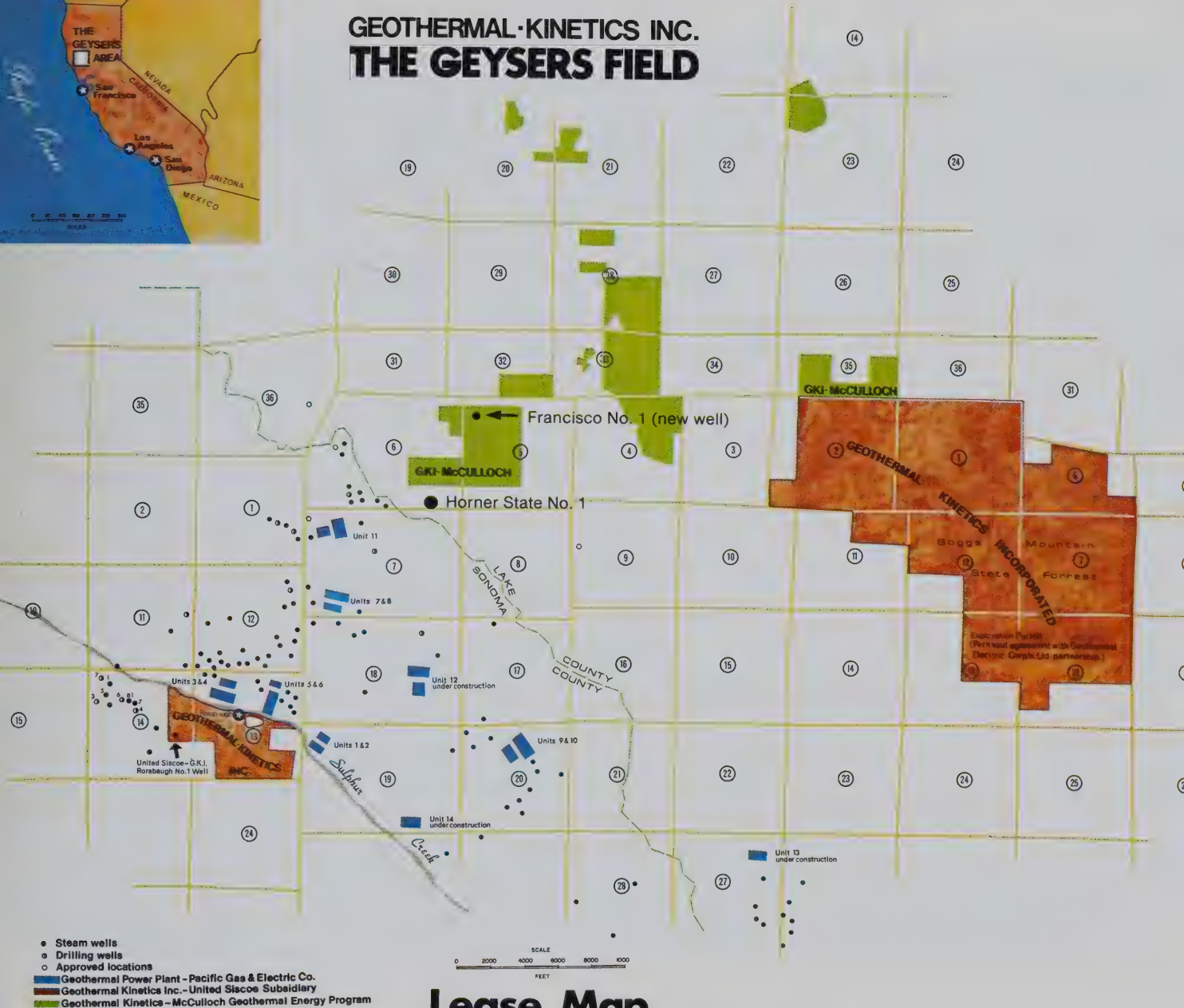
In 1970, the company recorded in its accounts the net liability for income taxes which may have been payable as a result of reassessments of its 1967 and 1968 income tax returns. During 1975 the company's objection to these reassessments was sustained and the net liability of \$80,000 previously recorded but not paid was reversed and retained earnings at January 1, 1974 have been correspondingly increased by \$80,000.

16. Remuneration of directors and senior officers:

The aggregate direct remuneration paid in 1975 to the directors and senior officers of the company was \$225,000 (1974 — \$271,000).



GEOHERMAL KINETICS INC. THE GEYSERS FIELD



This map was produced from composite information and assumed to be current at the time of printing, exact locations are not certified.
J.H. Priest - Drafting Services - Whittier, Ont. Can.

Lease Map SONOMA-LAKE COUNTIES, CALIFORNIA



The Company's geophysical research data evaluation centre is located in the Armory Building in Golden, Colorado.

Back Cover:

General view of the drilling rig currently being used to complete the de Arman No. 1 well in south western Utah.

UNITED SISCOE MINES LIMITED



Consolidated Statement of Income and Loss
(unaudited)Six Months Ended June 30, 1975
with comparative figures for 1974

	1975	1974
Oil and gas income:		
Share of net operating income	\$ 367,532	123,464
Depreciation and depletion	76,272	22,403
	291,260	101,061
Dividend income	158,154	164,574
Other expense (income):		
Loss (gain) on investments, net (after making provision for val- uation of investments held)	(235,154)	(177,229)
Loss on commodity futures deal- ings	—	32,225
Interest on long-term debt and amortization of debenture issue expenses — net of amounts capi- talized	306,565	265,911
Other interest, net	(8,964)	(45,756)
Administration and general ex- penses	330,361	271,917
Mineral exploration expenses	7,513	72,449
	400,321	419,517
Net income (loss) before income taxes and minority interest	49,093	(153,882)
Income taxes of a subsidiary	50,000	21,000
Net loss before minority interest.	907	174,882
Minority interest in loss of subsidiary company	3,422	10,130
Net income (loss) for the period	\$ 2,515	(164,752)
Net income (loss) per share for the period	\$.00	(.04)

Consolidated Statement of Changes in
Financial Position
(unaudited)Six Months Ended June 30, 1975
with comparative figures for 1974

	1975	1974
Funds provided:		
Amounts due from sales of land, net	\$ 173,062	349,113
Issue of convertible debentures	—	2,335,003
Long term bank loan received	750,000	—
Issue of capital stock	—	40,625
Proceeds from sales of investments in non-controlled companies, net of investments made	—	73,746
Disposals of fixed assets	63,250	—
Total funds provided	986,312	2,798,487
Funds used:		
Funds used in operations	57,506	291,082
Investment in subsidiary companies	—	202,086
Carrying and other costs on land held for resale	133,992	100,859
Development of petroleum and nat- ural gas leases and rights	226,632	281,772
Geothermal exploration and devel- opment deferred, net in 1975 of \$709,622 recovered from Mc- Culloch Oil Company	31,101	806,287
Mineral exploration and develop- ment deferred	36,994	—
Purchase of fixed assets	14,507	120,073
Reduction of long term debt	211,294	250,092
Investment in non-controlled com- panies, net of proceeds of dis- posals	9,933	—
Advances to officers of a subsidiary company	4,120	—
Total funds used	726,079	2,052,251
Decrease in working capital deficiency	260,233	746,236
Working capital deficiency at begin- ning of period	2,916,332	3,647,571
Working capital deficiency at end of period	\$2,656,099	2,901,335

INTERIM REPORT
TO SHAREHOLDERS

For the Six Months Ended June 30th, 1975

UNITED SISCOE MINES LIMITED

Executive Office
Suite 1806, Commercial Union Tower
P.O. Box 306, Toronto-Dominion Centre
Toronto, Ontario M5K 1K2

To the Shareholders:

Unaudited consolidated financial statements of income and source and application of funds for the six months ended June 30, 1975, together with comparative figures for the corresponding period in 1974 are attached.

FINANCIAL RESULTS

A consolidated net income for the period of \$2,515 was experienced compared to a consolidated loss of \$164,752 equal to \$.04 per issued share, for the similar period in 1974.

Oil and gas income increased some three-fold during the first half of 1975 compared to 1974. With the proposed increased price in natural gas which will occur later this year, income from this source should continue to increase during the second half.

Overall expenses were slightly reduced due primarily to a cut-back in general mineral exploration expenditures.

The following is a brief summary of significant corporate developments since issue of the Company's Annual Report, dated May 30, 1975.

GEOTHERMAL KINETICS INC.

Geothermal Kinetics Inc. in conjunction with McCulloch Geothermal Energy Programme now have under firm lease some 1,300 acres in the producing Geysers area of California. In addition the Joint Venture has leases pending on a further 600 acres which should be finalized within the next few weeks. The Joint Venture has submitted an Environmental Impact Report to the State of California which has issued drilling permits on two locations which would permit the drilling of up to six geothermal wells. An application has been made to the County for the requisite land use permit which is expected to be issued shortly permitting commencement of drilling on these locations.

Recent successful geothermal wells in the immediate area of this acreage indicate this property holds significant economic potential.

In addition, Geothermal Kinetics Inc., on its own account, maintains its interest in the original 408-acre Geysers property on which a successful geothermal well has been completed. Litigation concerning the ownership of the Geothermal rights on this property is now at an advanced stage and the Company is hopeful that it may be resolved within the near future which would permit further drilling and subsequent development of this acreage.

The agreement covering the 3,500 acre property known as Boggs Mountain, located in the north Geysers Field, which was originally acquired under a farmout, whereby GKI could earn a 50% interest has now been modified and Geothermal Kinetics Inc. holds a direct interest in same subject to a 7½% over-riding royalty payable to the original lessors. The final geothermal lease on this property is subject to clearance of required environmental impact reports and State authorization.

Although conditional approval had been granted by the United States Energy Research and Development Administration (E.R.D.A.) for funding of a development research programme covering stimulation of the two geothermal wells previously drilled at the Power Ranches Inc. Chandler Prospect, Arizona, work on same has as yet not been initiated. E.R.D.A. has called competitive tenders for the completion of this work which is delaying commencement of the programme. The Company is hopeful that this work will be under way prior to year end.

In addition, permits have been obtained for the drilling of the GKI-Utah Power: McCulloch Geothermal Energy programme well in Iron County, Utah. This well will be commenced at the closing of the McCulloch Geothermal Energy Drilling Fund which is now slated for September 30 of this year. Recent commercial discoveries in the area have increased the attractiveness of this project.

It is worth noting that E.R.D.A. is currently drafting proposed regulations covering federal guarantees on loans to conduct geothermal energy research development, demonstration, and production testing including drilling. The Government has authorized the administration to provide up to \$500 million in this programme which will permit companies in the geothermal exploration industry to obtain loans through commercial institutions which are guaranteed up to 75% by E.R.D.A. It is expected that these regulations will be finalized within the next few months and G.K.I. plans to avail itself of this monetary assistance in its development drilling programme. This recent Government action is

further evidence of the United States' determination to become self-sufficient in energy and underlies the importance which full development of geothermal energy can contribute to the overall energy picture.

The company anticipates significant developments and acceleration of its drilling programme during the next few months.

EXPLORATION

Cordex Syndicate

The Company expects the final feasibility study covering the Pinson Gold Project to be completed by the end of September. At this time it is hoped that the details for production financing can be completed to the satisfaction of the various participants and a formal production decision finalized.

In the Yukon the Company has maintained its participation in the Harman Syndicate which has recently reported new discoveries of lead-zinc mineralization. A limited drilling programme is planned during the next two months to make a preliminary assessment of the zinc prospects that were discovered last year.

Minor exploration work has been carried out in other areas in both Canada and the United States, however, as yet these programmes have not produced anything of immediate economic significance.

Real Estate Division

Various developments have occurred during the past few months involving the Company's 250-acre real estate project. The Company is hopeful that required authorizations may be obtained prior to year-end which would permit the development of this property to move ahead at an accelerated rate. Should this occur it would have a significant effect on projected company earnings in 1976.

On behalf of the Board of Directors,

R. E. FASKEN
Chairman

G. T. SMITH
Vice-Chairman

August 27, 1975.